Castle & Cooke, Inc. Annual Report for the Year Ended April 30, 1967

LETTER TO STOCKHOLDERS

The fiscal year ended April 30, 1967, was a reasonably good one, although consolidated results for Castle & Cooke, Inc. and its subsidiaries were below those of the year before. Nevertheless, it was the second best year in Company history.

Consolidated net income was $10,079,000, or $2.34 per share of outstanding common stock. Net income in the prior year was $10,337,000, or $2.42 per share. Both figures are adjusted for the larger number of shares outstanding at the end of 1966-67 and include the results of Ames Mercantile Company, Inc. which was acquired during the year. This transaction was accounted for as a pooling of interests.

Consolidated revenues were $336,376,000 in 1966-67, compared with $318,496,000 the year before, restated to include the sales of Ames Mercantile for the full fiscal period.

Changes in the Internal Revenue Code make it feasible for Castle & Cooke and qualifying subsidiaries to file consolidated income tax returns for the first time. As a result, the Company in 1966-67 is able to utilize carry-overs of prior years' net operating losses and investment credits of subsidiaries which reduce current taxes by $1,434,000.

During the year, the Directors declared cash dividends totaling $1 per common share, plus a 5 per cent stock dividend.

The significant operating results of the various components of Castle & Cooke are summarized here and reported at greater length in the following section of this report.

While the Dole Company division reported the highest total revenues in its history, earnings were down substantially from the results of the year before. Two factors were largely responsible for this decline in earnings. The year was one of investment for Dole, in which increased amounts of money were spent in introducing and supporting new and existing products and in improving operations. It is expected these investments will improve future profitability. Meanwhile, Dole's juice products experienced ever-increasing price competition from proliferating synthetic beverage products and from the almost unmanageable glut of orange juice concentrate from Florida.

During 1966-67, the new Dolefil pineapple operation on the Island of Mindanao in the Philippines had increased production and made its first meaningful contribution to the total pineapple pack. Although this facility has experienced more than its share of start-up problems, the quality of product now being produced is exceptionally good.

For its calendar 1966 year, the subsidiary Standard Fruit and Steamship Company, 84 per cent owned, reported net earnings of $4,519,000, compared with $4,512,000 the year before. This result was achieved despite a further decline in the general level of the wholesale banana market, and demonstrated the effectiveness of Standard's continuing programs to improve efficiency.

For the first four months of 1967, which correspond to the latter part of Castle & Cooke's fiscal year, production and earnings were down materially compared with the same period of 1966, thus reducing Standard's contribution to consolidated earnings for the year ended April 30, 1967.

The Bumble Bee Seafoods division turned in another outstanding performance. Sales achieved a new high for the 11th consecutive year, and earnings were the highest in Bumble Bee's 67-year history. Although canned tuna and salmon continued to be the major contributors to Bumble Bee's sales and earnings, canned king crab meat and pet foods assumed increasing importance. The sales of both fresh and frozen seafoods also increased.

The year was a good one for Hawaii's sugar industry because of favorable marketing conditions which resulted in an improved average return per ton of sugar from the refinery. Castle & Cooke's three sugar plantation companies, however, experienced mixed results because unseasonably bad weather in the spring of 1967 prevented the harvesting of sugar cane scheduled to come off before the end of Castle & Cooke's fiscal year thus lowering sugar production by several thousand tons. This cane will be harvested in 1967-68, however, and the sugar price outlook continues to be favorable.

Oceanic Properties, Inc., our land development and management subsidiary, again failed to achieve a profit, although losses were reduced substantially from those of the previous year. The extreme tightness of money and the resulting decline in real estate activity throughout most of the year caused delays in the development of major projects and precluded the sale of a completely developed property. The Sea Ranch project on the Northern Cali-

fornia coast, which has received gratifying public response, exceeded expectations and reported a profit. With signs of improvement in the real estate industry, it can be reasonably expected that Oceanic will improve its position in the coming year.

The Royal Hawaiian Macadamia Nut division again reported a small profit. Results would have been better, however, had the orchard not suffered an attack of fungus blight which reduced estimated production by approximately 20 per cent.

Castle & Cooke's expansion program took a new direction with the acquisition of Ames Mercantile Company, Inc. of San Francisco for approximately 208,000 shares of Castle & Cooke's stock. Ames is the largest wholesaler of drug sundries in Northern California and has recently expanded into a Southern California wholesaling operation. Ames also operates retail concessions in a number of large discount stores and owns a chain of junior discount stores. In its fiscal year ended March 31, 1967, Ames reported record sales for the sixth consecutive year, up 17 per cent from the prior year, and an 11 per cent increase in net earnings.

During the year, Castle & Cooke and Isthmian Lines, Inc. jointly formed Hawaiian Lines, Inc. to establish a new and much-needed cargo service between the Pacific Coast and Hawaii. It was intended that American President Lines would join in this venture after receiving permission from the Maritime Administration. As this report went to press, Isthmian informed Castle & Cooke it was withdrawing its participation in Hawaiian Lines because it had concluded, after further study, that the venture would be inconsistent with its traditional concentration in foreign trade operations. Although this announcement was received with regret, Castle & Cooke and A.P.L. embarked upon new studies of the feasibility of continuing the development of this desirable augmentation of freight service for the State of Hawaii.

At the Annual Meeting in August, 1966, the stockholders approved a recapitalization of the Company. Existing capital stock was reclassified as common stock, authorized shares were increased from 5,000,000 to 10,000,000 of $10 par value common stock, and authorization was granted for a new issue of 500,000 shares of no-par preferred stock, the Directors being empowered to fix the terms and conditions and to issue the preferred shares as needed. As of the end of the fiscal year, no preferred stock had been issued.

Two new directors of the Company were elected, R. V. Hansberger, president of Boise Cascade Corporation, and James J. Finch, executive vice president of Newhall Land and Farming Company. During the year, David W. Eyre, Mitsuyoshi Fukuda and Richard M. Macfarlane were elected vice presidents and A. G. Westly was elected corporate secretary.

We wish to extend our gratitude to the men and women of Castle & Cooke and its affiliated companies for the contribution they have made and will continue to make to the company.

A. G. Budge
Chairman of the Board

Malcolm MacNaughton
President

Honolulu, Hawaii
June 1, 1967

CASTLE & COOKE, INC.

ANNUAL REPORT

FOR THE YEAR ENDED APRIL 30, 1967

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YEAR IN BRIEF

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Years Ended April 30	1967	1966*
Total revenues	**$336,376,000**	$318,496,000
Income applicable to minority interests	**2,506,000**	3,450,000
Net income	**10,079,000**	10,337,000
Per share	**2.34**	2.42**
Working capital	**62,958,000**	53,169,000
Long-term debt	**52,811,000**	28,852,000
Stockholders' equity	**137,521,000**	131,158,000
Per share	**31.97**	30.65**
Cash dividends	**3,987,000**	3,656,000
Per share	**.95****	.90**
Number of shares outstanding	**4,302,202**	4,278,768**
Number of stockholders	**11,066**	10,267

* *Restated for acquisition of subsidiary accounted for as a pooling of interests.*

** *Adjusted for 5% stock dividend issued to stockholders of record as of March 28, 1967.*

OPERATIONS

DOLE COMPANY DIVISION

Despite reduced earnings for 1966-67, Dole continued to exert its leadership in the pineapple industry. In the face of intense competition from other fruits and low-priced imported pineapple, Dole again increased sales of solid-pack pineapple in the U. S. market and improved its share of this market.

To enhance the long-range potential of its pineapple, the company continued to make heavy investments. These range from agricultural and engineering research and the development of new pineapple products to the expansion of advertising and promotional campaigns to increase the use of pineapple in all forms. In 1966-67 a new pineapple product was introduced, pineapple packed in its own juice. Initial response from consumers and the grocery trade was encouraging.

The new Dolefil operation on the Island of Mindanao in the Philippines achieved major production for the first time. With the inevitable start-up problems being overcome, plans are already under way to expand the capacity of Dolefil beyond that originally projected for it.

While solid-pack pineapple continues strong, the over-all market for the company's pineapple juice and drink products becomes increasingly difficult. This is due to the continuing growth of drink and juice products, many of them synthetic, and serious over-production of orange juice in Florida. In 1966-67, Florida's orange production increased approximately 40 per cent over that of the prior year and further increases are projected.

Thus, while Dole markets a large volume of juice and drink products, its profit margins are being tightly squeezed. Dole has undertaken a vigorous program to combat this problem, including the finding of other uses for pineapple juice and the development of new juice products. One such product, Pineapple-Pink Grapefruit Juice Drink, was introduced in 1965-66 and achieved very high sales and consumer acceptance in 1966-67.

Weather and growing conditions were generally favorable on the Pacific Coast in 1966. While the San Jose and Salem plants were able to process full packs of most of their products, the continuing over-abundance of cling peaches kept prices low on competing products. Unseasonably cold and rainy weather prevailed in California during the spring of 1967 and appears to have reduced sharply most crops of fruits and vegetables. This will reduce Dole's fruit cocktail pack, but the full extent of the damage will not be known until later in the summer.

In January, 1967, Dole appointed Standard Fruit and Steamship Company as sales representative for "Royal Hawaiian" fresh pineapples. Though the change-over caused a slow-down in marketing momentum, it is expected that the support of Standard's 30 sales offices throughout the country will greatly strengthen Dole's fresh pineapple position in the future.

As part of its continuing diversification effort, Dole entered both the beverage can manufacturing and contract beverage packing fields in Honolulu. The Honolulu can plant is now producing cans for Pepsi-Cola and Shasta and a new packing plant in the Honolulu cannery is producing soft drinks for these two campanies.

Bromelain, the enzyme extracted from the pineapple plant, becomes increasingly promising as a growth area for Dole. Additional uses are continuing to be uncovered through research by many agencies in several parts of the world. Demand for the product is such that new production facilities are being designed.

Dole's international activities also occupy an important place in the company's search for new products, new markets, and new modes of operation. While still in their early developmental stages, these activities are expected to contribute significantly to Dole's long-range growth and diversification. Dole's two joint ventures in Japan—Jintan-Dole Company and Dole-Itochu Food Company—are both on target in their research, investigation and development efforts. In Europe, the company's marketing staff has been strengthened, and the principal limitation on Dole's sales in Europe at present is the lack of adequate supplies of product for this market. Investigations are continuing into the best means of establishing a strong position in the European market.

During the year, Charles J. Patterson, Jr. and Dr. Charles E. Mumaw were elected vice presidents and Jess H. Walters was elected secretary, succeeding Howard B. Benner, who retired after almost 39 years of service with Dole.

STANDARD FRUIT & STEAMSHIP COMPANY

The volume of banana shipments from Standard's Central American divisions again reached new peaks during 1966 due to high productivity on company-operated acreage and to expansion of the cultivations of independent planters.

In Costa Rica, difficulties in obtaining financing for new independent planters caused a slowdown in

the expansion of banana plantings. However, financing has recently become available and a significant increase in planted acreage is planned for 1967.

In Honduras, Standard entered into a banana purchase agreement with a local landowner whose farms in the Sula Valley are some 85 miles from those cultivated by Standard. The cultivation of 7,000 acres of excellent banana lands is initially planned here, and approximately half of this acreage has now been planted. This new production is sufficiently removed from present plantings to provide a diversification of many agricultural and weather risks.

Increased quantities of Gros Michel bananas were exported from Ecuador and, in addition, two new products were introduced from Ecuador, Giant Cavendish bananas—the variety grown by the company in Central America—and extra-quality "Premium" bananas. Both new products received excellent market acceptance and their further expansion is planned.

For the first quarter of 1967, Standard's net profit from operations was $332,000, compared with earnings of $597,000 for the same period of 1966. Although the wholesale banana market remained stable in this quarter, profitability was affected by a decrease in the volume of banana importations. A substantial peak in productivity in the Central American banana divisions that occurred during the first quarter of 1966 was not repeated in 1967 due to the cyclical nature of banana production and the effects of climate.

Market expansion in the northern countries of Western Europe by the "Eurobana" importing group, with which Standard is affiliated, was accomplished in spite of extremely strong competitive pressure created by a major increase in total European banana importations. Further increases in banana shipments under the "Eurobana" joint participation agreement are planned as marketing and supply factors permit. In addition, the company is investigating the possibility of shipments to other areas of Europe where quantity importations appear feasible.

On the other side of the world, a large Giant Cavendish seed bed has been established on the Island of Mindanao adjacent to the Dolefil site. This seed bed was planted with more than 150,000 seed pieces from Standard's Central American divisions in the late summer of 1966. Commercial plantings on small, independently-owned farms will begin in mid-1967 and shipment of bananas to the expanding Japanese market is expected to begin during the first half of 1968.

The Philippine bananas will be distributed by C. Itoh and Co., Ltd., one of the major Japanese trading firms.

Standard spent several years of agricultural and economic investigation in Southeast Asia to find the optimum locations for cultivation of bananas for sale in Japan. The production in Mindanao should be of top quality and its location will provide a 15-day shipping advantage, with accompanying cost and quality advantages, over bananas currently being shipped to Japan from Latin America.

D. W. Furbee, controller of the company, was elected a vice president in 1967.

BUMBLE BEE SEAFOODS DIVISION

Industry packs of canned salmon in 1966 were the largest since 1957, and Bumble Bee's pack exceeded its record set in the previous year. Good runs of pink salmon in Central and Southeastern Alaska contributed greatly to the pack, and were in marked contrast to the disappointing production of this species in the prior year.

The Puget Sound pack of sockeye salmon was the largest in the past five years. The Columbia River produced smaller catches of chinook salmon than in 1965, but for the fourth successive year featured excellent catches of silver salmon. The success of recent silver salmon runs is largely attributable to advances in the science of artificial hatchery propagation, and it appears that these large runs can be well maintained in future years.

Production of canned tuna at Bumble Bee's Astoria cannery exceeded that of the prior year. Catches of albacore tuna off the Oregon and Washington coast were at high levels for the fifth consecutive year. Hawaiian catches of aku tuna were down substantially from the record deliveries of the prior year. Production at the Honolulu cannery, while below that of 1965, was augmented by larger purchases of imported tuna. Bumble Bee's subsidiary company, Maryland Tuna Corp., at Cambridge, Md., was again adversely affected by the decline in the Atlantic tuna fishery.

Bumble Bee's pack of Alaska king crab increased by nearly 20 per cent. The product met with growing demand from the grocery trade as consumers became more familiar with this quality seafood delicacy. "Figaro" brand pet food moved

well in the market place and made a larger contribution to earnings.

The outlook for canned salmon, based upon forecasts of the various research and management agencies, is for a somewhat smaller over-all pack in 1967. This is due primarily to the prediction of smaller runs of both red and pink salmon in most of the major producing areas of Alaska. On the other hand, the forecast for Puget Sound is for a sockeye run of the same or slightly larger magnitude than that of 1966. A larger run of pink salmon is also forecast for this fishery. Catches on the Columbia River during the early part of the May, 1967, season exceeded those of the prior year.

Bumble Bee enters its new fiscal year with inventories of both canned tuna and salmon consistent with its marketing requirements. Marketing and advertising programs proven effective in the past will be given added emphasis during the current year to implement the continuing growth of sales.

In accordance with established retirement policy, Thomas F. Sandoz retired as chairman of the board and chief executive officer in 1966. He was succeeded as chief executive officer by John S. McGowan, who continues as president. Mr. Sandoz joined Bumble Bee in 1928 and served with distinction as chief executive officer from 1950. During his career, Bumble Bee's earnings and sales increased many-fold, and the division grew from a relatively small canned salmon producer to a major factor in the nation's seafood industry. He is recognized throughout business and governmental circles for his economic insight and knowledge of fishery problems. Mr. Sandoz continues to serve as a director and chairman of the executive committee.

Herbert D. Hart, vice president and manager of Hawaiian operations, also retired in accordance with company policy. He was succeeded as manager in Hawaii by Malcolm S. McLeod.

SUGAR

Marketing conditions for Hawaiian sugar showed welcome improvement during the year, and returns from the refinery to the sugar plantation companies increased. Three factors contributed: Demand for refined sugar was good, refined prices strengthened, and competitive price cutting declined.

Beet sugar sellers, with smaller inventories to press on the market and reacting to increased reluctance by growers to produce sugar beets unless higher returns could be foreseen, offered fewer price concessions to buyers. The California canned fruit pack was also larger than the year before, requiring more sugar.

Capitalizing on all these opportunities, California and Hawaiian Sugar Company delivered a record 879,000 tons of refined sugar in 1966, an increase of 40,000 tons over the previous year. Most of the increase was marketed in the higher-netting Western markets.

Castle & Cooke's sugar plantation companies had good years, but earnings would have been better, particularly for the two Oahu plantations, had not unfavorable weather conditions prevented the harvesting of sugar cane scheduled to come off before the end of the fiscal year. This tonnage was not lost, however, and is being harvested in the new fiscal year.

Waialua Agricultural Company, Limited, 69 per cent owned, reported slightly lower earnings for the fiscal year. Production was 70,920 tons, compared with 76,056 tons the year before. Production fell short of estimates by approximately 2,000 tons because of the bad weather.

Increasing costs caused Waialua to push forward with development of automated irrigation systems, and a new experimental overhead sprinkler unit is scheduled for installation in August, 1967. The new steam and power generating plant, which went into operation a year ago, is producing at its rated capacity.

Earnings of Ewa Plantation Company, 70 per cent owned, increased substantially. Sugar production for the year was 61,874 tons, the highest production and largest acreage harvested since the all-time records established in 1933. Nevertheless, the unfavorable weather caused production to fall about 2,000 tons below estimate.

Ewa is making progress in utilizing marginal lands, and during the year 260 net acres were brought into production for the first time.

Kohala Sugar Company, 99.9 per cent owned, also had a gratifying increase in earnings and produced 48,860 tons. Rainfall returned to normal after a six-year dry weather cycle.

Kohala's new boiler and bagasse storage facility is now going on stream. This installation will correct the chronic shortage of steam for mill operations and will pave the way for additional production improvements.

MACADAMIA NUTS

The Royal Hawaiian Macadamia Nut division again achieved a modest profit in 1966-67, this in spite

of a sharp drop in crop yield resulting from an attack of Botrytis fungus at the orchard.

This is a common fungus causing problems to other crops throughout the world, but prior to 1966 it had not adversely affected our orchard, in this case by attacking blossoms just prior to the set of the crop. Efforts are being pushed vigorously to control this blight and indications are that a larger crop will be harvested in 1967.

Sales of our premium quality nuts in jars and tins increased during the year, further establishing the "Royal Hawaiian" brand franchise. Demand for nuts by candy, ice cream and bakery manufacturers was strong, but these products were in short supply during the year.

A new product, Macadamia Nut Brittle, packed at the Keaau plant, was introduced in the latter part of the year in limited markets. Initial consumer response is good.

OCEANIC PROPERTIES, INC.

In California, planning and engineering for Hamilton, the 11,000-acre joint venture planned community near San Jose, were nearly completed. Recent improvements in the mortgage and housing markets have resulted in a reinstatement of much of the activity which was suspended during the year while real estate activity was depressed.

The Wilshire Metropolitan Medical Center joint venture in Los Angeles continued to be the major cause of the company's loss due to disappointing occupancy. A variety of solutions to this problem are currently being explored. In Orange County, the handsome Olive Court shopping center was completed and leased on schedule.

The Sea Ranch, the second-home development on the Sonoma County coast, produced very satisfactory results under extremely difficult marketing conditions. Having turned the profit corner in 1966-67, it is expected to contribute substantial earnings in the new year. This project continues to receive an unusual amount of favorable publicity in both national and professional publications.

In Hawaii, work progressed on schedule on the $22-million Financial Plaza in downtown Honolulu, a project in which Oceanic is the developer. This privately-financed renewal of an entire city block will house the headquarters of Castle & Cooke, Bank of Hawaii and the Territorial Savings and Loan Association and American Savings and Loan Association. Castle & Cooke is expected to occupy its space in the new building in the spring of 1968. The Wilcox Development Corp. also has an interest in the project.

Oceanic's new community in the center of Oahu, Mililani Town, is also progressing according to schedule. Major planning and engineering work was in the process of gaining approval of various governmental agencies. The first units are expected to reach the market by the early summer of 1968. The 18-hole golf course was opened in December and achieved gratifying success from its opening day.

Queen Emma Gardens, the major three-building apartment complex in downtown Honolulu, continued at virtually 100 per cent occupancy. This project is 40 per cent owned by Castle & Cooke.

The Oceanic subsidiary which operates memorial parks in Honolulu and Manila showed a slight loss for the year, principally because of competitive factors in Hawaii and a shortage of available capital in the Philippines. Management has been strengthened in an effort to bring this activity back to its former high profit level.

Hawaiian tourist facilities continue to be under heavy pressure from the accelerated growth of the industry. This pressure is expected by increase with the advent of larger jet airliners about 1970. Oceanic's staff is currently engaged in studies and discussions with several groups interested in establishing resort facilities on Castle & Cooke lands at Kohala and Lanai.

Oceanic will be concentrating more effort on near-term profit opportunities. To this end, the Real Property Department will be seeking an expanded role in the management and real estate conversion of lands owned by others, as well as those of the parent company. A new Commercial Development Division has been formed to exploit other development activities similar to the highly successful Financial Plaza project.

Frederick Simpich, Jr. resigned as president and director of Oceanic and was succeeded by Warren G. Haight, formerly vice president and treasurer. Robert A. Minckler was elected vice president and treasurer.

AMES MERCANTILE COMPANY, INC.

The newest member of the Castle & Cooke group, Ames occupies a prominent and growing role in the wholesale and retail field in California. It is a wholly-owned subsidiary.

The wholesale division of the company, through modern methods of servicing and supplying its customers, has achieved a commanding position in the distribution of nationally-advertised drug sundries in Northern California. Shortly after its acquisition by Castle & Cooke, Ames entered the Southern California wholesale field by purchase of an 80 per cent interest in S and S Merchandise Co., Inc. This new operation will be able to supply customers in its distribution area from a large, new warehouse at Torrance.

The retail division of Ames is one of Northern California's leading discount store concessionaires in the merchandising of drug sundries, pharmaceuticals, toys and housewares. It operates 83 concession departments and 11 pharmacies in California, Nevada and Oregon. These units, which range in size from 3,000 to 15,000 square feet of selling space, offer the consumer 5,000 to 25,000 items at substantially less than prevailing retail prices.

New concession departments scheduled to be opened in 1967-68 include three departments in a new discount department store in San Francisco and five departments in Southern California discount stores.

In addition to retail concession locations, Ames operates four "Value Giant" junior discount department stores in Livermore, Sonora, Watsonville and Woodland, Calif. These stores contain up to 20,000 square feet of selling space and carry sundries, toys, records, housewares, hardware and a wide selection of other consumer products. A fifth store at Salinas is scheduled for opening in September, and three other locations are in planning.

Construction has begun on new headquarters and warehouse facilities for Ames in the Crocker Industrial Park near San Francisco. Occupancy is scheduled for the late summer of 1967. This enlarged facility will give Ames much-needed space in which to keep up with its continuing growth.

SHIP AGENCY AND TERMINALS

Operations of the Ship Agency were less profitable than last year, mainly because of reduced imports and freight revenues stemming from the softening of business nationally. The Viet Nam war also contributed because, although there were more vessel calls in the Port of Honolulu, regular services were adversely affected.

Plans of both the Ship Agency and Castle & Cooke Terminals to participate in the projected new Hawaiian Lines services are being held in abeyance pending decisions on future plans as a result of Isthmian Lines' withdrawal from the project.

During the year, the Terminals concluded a new five-year longshore contract which runs with no re-openings to June 30, 1971. Management regards the contract as a good one that will promote continuing harmony in the maritime economy of Hawaii.

The Terminals acquired the terminal services accounts of Pacific Hawaiian Lines on lumber and Canadian Gulf Lines on newsprint. It also served as consultant to the government of Guam in the re-location of port facilities.

HAWAIIAN EQUIPMENT COMPANY

Sales of heavy construction equipment were down due to a slow-up in the Federal highway construction program on Oahu, and this contributed to lower earnings for Hawaiian Equipment Company division. The truck market, however, was the best in the history of the company and sales of replacement parts were satisfactory.

Sales of general machinery lines improved during the year, and it is hoped that the market for heavy construction equipment will improve later in 1967.

THAI-AMERICAN STEEL

The Thai-American Steel Works Company, Ltd., in which Castle & Cooke has a 55 per cent ownership, increased production in its steel pipe manufacturing plant in Bangkok. The company reported profitable operations for the first time.

REPUBLIC GLASS CORPORATION

Republic Glass Corporation in Manila, in which Castle & Cooke has a 61 per cent interest, had slightly reduced earnings due largely to start-up expenses on its production expansion program.

During the year, the new equipment to manufacture figured and wired glass went into operation and met all expectations. Installation of the new polished plate glass plant was delayed when equipment was damaged in a shipboard fire. As the year ended, however, this modern plant was ready to go into operation.

Republic's markets until now have been confined to the Philippines, but investigations are now under way to expand sales elsewhere in Southeast Asia.

1) At the bustling Bristol Bay fishery on the shores of the Bering Sea thousands of Alaska red salmon are brailed from a gillnet boat to a Bumble Bee tender which will deliver fish to the cannery.

2) In the gorge of the magnificent Columbia River, Bumble Bee fishermen in their gillnet boat haul in the prized chinook salmon which will be transported rapidly down-river to the cannery at Astoria, Oregon.

3) Huge tuna caught in Pacific waters are unloaded from a refrigerated carrier vessel at the Bumble Bee Seafoods cannery in Honolulu. Imported fish supplements the aku tuna caught in waters surrounding Hawaii.

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1) The peak of Mt. Matutum towers over the Dolefil pineapple operation in southern Mindanao. At Kalsangi, new homes nestle at a cool, 2,000-foot elevation. Nearby are a school and hospital.

2) Under bright, pleasant working conditions, colorfully-garbed Filipino cannery workers process pineapple grown on the Dolefil plantation. Facility is the most modern pineapple cannery in the world.

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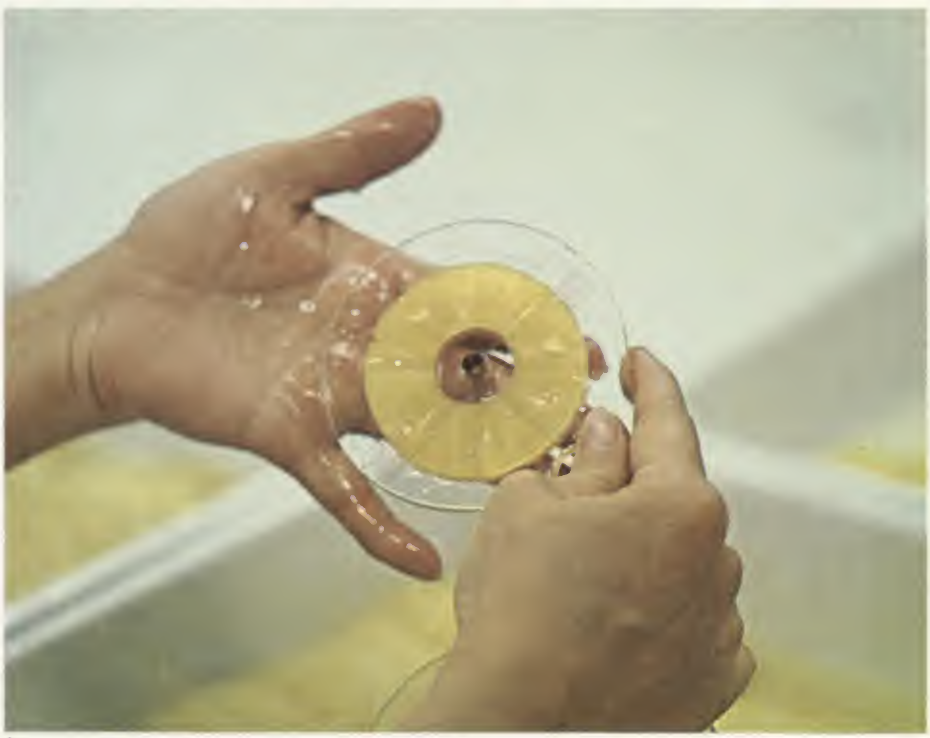
On a Standard Fruit test plot in Honduras, pineapple plants of Hawaiian varieties are carefully removed from the soil for sectioning and replanting in adjacent commercial plantations. Fruit will be grown for future fresh markets in U.S.

Surf pounds against the breakwater at Lanai's principal harbor while a Dole employee directs the loading of a pineapple-loaded bin into the barge that will carry fruit to the cannery in Honolulu.

Uppermost in the Dole processing operations is the assurance of high quality and uniformity of product that have made the Dole name synonymous with superiority for many years.

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Banana train, Honduras-style. Stems of mature bananas at Standard Fruit's farm are hauled to the packing station where the fruit will be washed, separated into hands and packed in corrugated containers.

In the lush green banana plantation, mature stems are ready for harvest.

Special atomizing equipment attached to the wings of low-flying aircraft apply tiny chemical droplets to the banana plants to control leaf spot diseases at Standard Fruit farm.

Operations go around the clock as the 21-knot refrigerator ship "Augustenburg" loads freshly-packed boxes of mature green bananas at the Honduras port of La Ceiba for the fast voyage to U.S. ports.

3

1) *Cane grab stands by at Ewa sugar plantation while flames roar through mature field. Fire prior to harvesting burns dry leaves and trash but does not harm juices in the stalks.*

2) *Over two thousand miles from its Hawaiian source, raw sugar is unloaded from a freighter at the California and Hawaiian Sugar Company at Crockett, Calif., the largest sugar refinery in the world.*

3) *The end product. Millions of packages of C and H pure cane sugar from Hawaii race through packaging lines en route to the consumer.*

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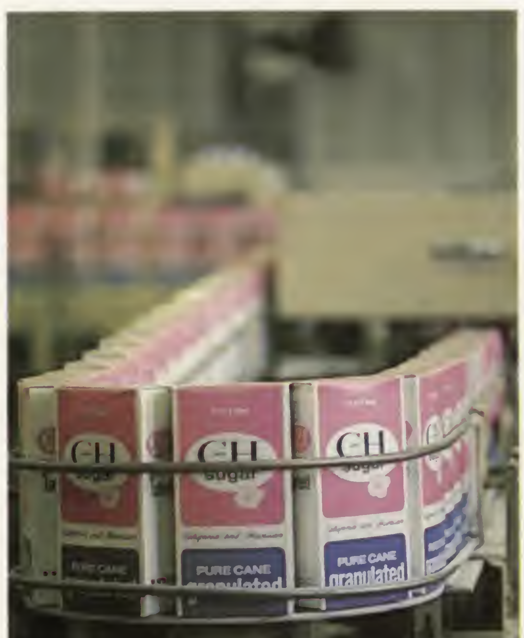


3

1) *Against the dark green foliage of a handsome macadamia tree one can frequently see the delicate creamy blossoms in juxtaposition with the mature nuts in their green husks.*

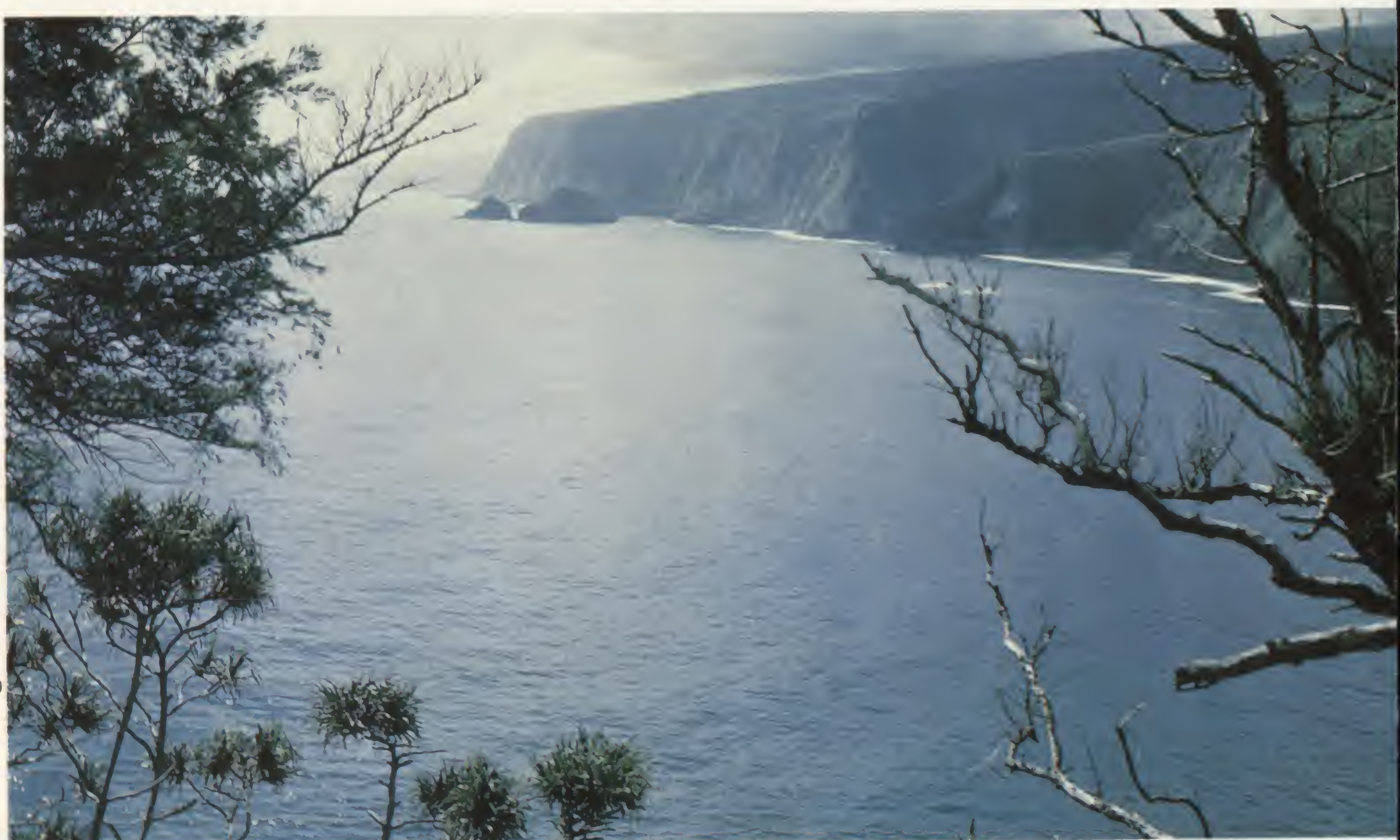
2) *Skilled fingers and experienced eyes inspect the moving conveyor belt of macadamia nuts at the new processing plant at Keaau.*

3) *Newest product of the Royal Hawaiian Macadamia Nut division is brittle. Here skilled candy maker flips a sheet of brittle to assure its uniformity before it is broken up and packed in tins.*

3

1) *The burgeoning Hawaiian visitor industry is stimulating Oceanic Properties to review intensively some of the company lands that might lend themselves to tourist development, such as this magnificent coastline near Kohala, typical vista of the region.*

2) *The blue waters of Lake Anderson are the focal point of Hamilton, the 11,000-acre joint venture development site in which Oceanic Properties is a principal near San Jose, Calif.*



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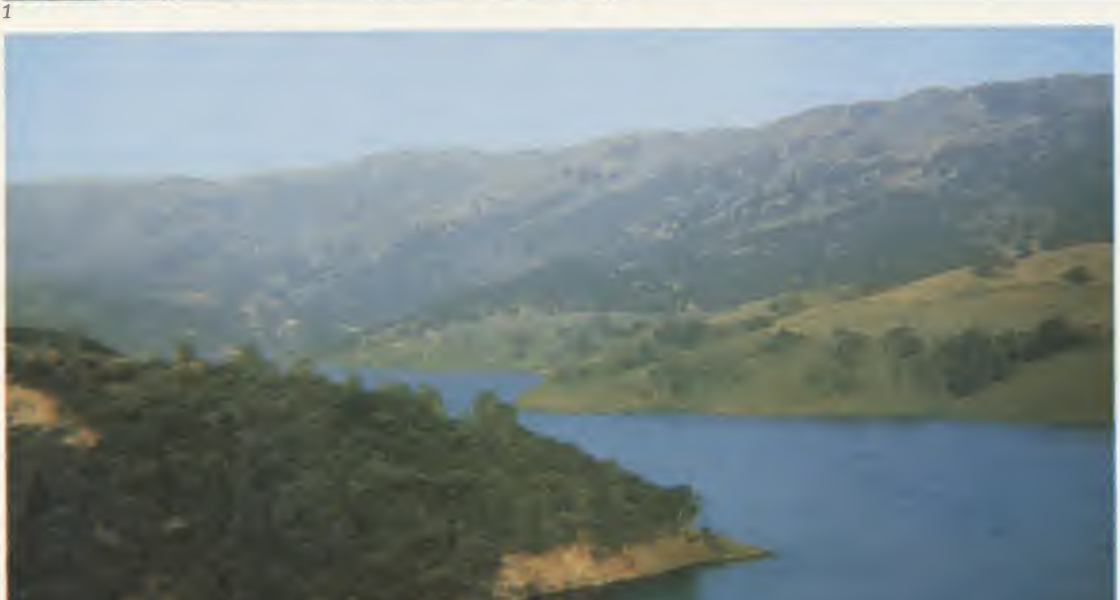

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FINANCIAL

STATEMENT OF CONSOLIDATED FINANCIAL CONDITION

Castle & Cooke, Inc. and Subsidiaries

	April 30, 1967	April 30, 1966
CURRENT ASSETS:		
Cash	**$ 13,196,000**	$ 9,799,000
Time deposits and marketable securities—at cost, which approximates market	**618,000**	4,083,000
Accounts receivable, less allowances for doubtful accounts—1967, $477,000; 1966, $281,000	**36,327,000**	32,550,000
Inventories	**73,358,000**	63,085,000
Prepaid expenses	**4,497,000**	4,054,000
Total current assets	**127,996,000**	113,571,000
DEDUCT CURRENT LIABILITIES:		
Notes payable, including current installments on long-term debt	**34,136,000**	29,119,000
Accounts payable	**26,619,000**	25,804,000
Income taxes payable	**4,283,000**	5,479,000
Total current liabilities	**65,038,000**	60,402,000
WORKING CAPITAL	**62,958,000**	53,169,000
GROWING CROPS—At static values	**5,300,000**	5,300,000
INVESTMENTS:		
Capital stock of sugar marketing cooperative—at cost	**2,392,000**	2,392,000
Subsidiaries not consolidated:		
Domestic—at equity	**2,614,000**	2,663,000
Foreign—at cost	**1,531,000**	1,783,000
Other investments—at cost	**5,436,000**	4,500,000
LAND—At cost	**21,131,000**	20,440,000
BUILDINGS, MACHINERY AND EQUIPMENT—At cost, less accumulated depreciation—1967, $113,489,000; 1966, $106,915,000	**95,111,000**	83,737,000
NON-CURRENT RECEIVABLES— Less allowances for doubtful accounts—1967, $288,000; 1966, $455,000	**10,393,000**	7,857,000
DEFERRED CHARGES AND OTHER ASSETS	**18,545,000**	14,581,000
Total	**225,411,000**	196,422,000
DEDUCT:		
Long-term debt	**52,811,000**	28,852,000
Deferred income taxes	**5,741,000**	5,980,000
Deferred income and other credits	**1,440,000**	1,699,000
Minority interests (including preferred stock of subsidiaries—1967, $8,361,000; 1966, $9,902,000)	**27,898,000**	28,733,000
Total	**87,890,000**	65,264,000
NET ASSETS, REPRESENTING STOCKHOLDERS' EQUITY	**$137,521,000**	$131,158,000
STOCKHOLDERS' EQUITY:		
Capital stock	**$ 43,515,000**	$ 41,214,000
Capital in excess of par value	**10,948,000**	6,973,000
Capital from acquisition of subsidiaries' stock	**16,909,000**	16,831,000
Retained earnings	**67,521,000**	67,427,000
	138,893,000	132,445,000
Less cost of treasury stock	**1,372,000**	1,287,000
STOCKHOLDERS' EQUITY	**$137,521,000**	$131,158,000

See the accompanying notes to financial statements.

STATEMENT OF CONSOLIDATED INCOME AND RETAINED EARNINGS

Castle & Cooke, Inc. and Subsidiaries

Years Ended April 30	1967	1966
REVENUES:		
Food products, except sugar	**$250,411,000**	$240,847,000
Sugar	**28,334,000**	25,432,000
Merchandising	**42,717,000**	39,733,000
Service operations, including rentals	**9,958,000**	8,305,000
Land development and real estate operations	**2,026,000**	851,000
Gain on sales of capital assets	**243,000**	1,188,000
Dividends, interest and other revenues	**2,687,000**	2,140,000
Total	**336,376,000**	318,496,000
COSTS AND EXPENSES:		
Cost of products and merchandise sold	**241,192,000**	225,903,000
Selling, service, general and administrative expenses	**64,683,000**	59,035,000
Depreciation	**8,135,000**	7,885,000
nterest	**3,565,000**	1,495,000
Total	**317,575,000**	294,318,000
NCOME BEFORE INCOME TAXES	**18,801,000**	24,178,000
NCOME TAXES:		
Current	**6,455,000**	9,827,000
Deferred	**(239,000)**	564,000
Total	**6,216,000**	10,391,000
NCOME BEFORE MINORITY INTERESTS	**12,585,000**	13,787,000
MINORITY INTERESTS	**2,506,000**	3,450,000
NET INCOME (Per share—1967, $2.34; 1966, $2.42)	**10,079,000**	10,337,000
RETAINED EARNINGS, BEGINNING OF YEAR	**67,427,000**	73,693,000
	77,506,000	84,030,000
DEDUCT:		
Dividends:		
Cash—Castle & Cooke, Inc. (per share—1967, $ .95; 1966, $ .90)	**3,987,000**	3,656,000
Cash—paid by pooled company prior to acquisition	**52,000**	104,000
Stock—5%	**5,946,000**	—
ransfer to common stock—3-for-2 split	**—**	12,843,000
RETAINED EARNINGS, END OF YEAR	**$ 67,521,000**	$ 67,427,000

ee the accompanying notes to financial statements.

Castle & Cooke, Inc. and Subsidiaries

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all significant operating subsidiary companies. The accounts of foreign subsidiaries are maintained in United States currency or are translated at appropriate rates of exchange.

As of October 31, 1966, Castle & Cooke, Inc. issued 208,075 shares of its common stock in exchange for the net assets of Ames Mercantile Company, Inc. The transaction was accounted for as a pooling of interests, and accordingly the consolidated financial statements for the previous year have been restated. Capital in excess of par value has been reduced by $1,331,000, the excess of par value of Castle & Cooke, Inc. shares issued over the par value of Ames capital stock previously outstanding.

The accounts of three small subsidiaries not previously consolidated have been included in the consolidated financial statements for the year ended April 30, 1967. The accompanying financial statements for the preceding year have not been restated to give retroactive effect to this change because the amounts involved are not significant.

Investments in three non-consolidated domestic subsidiaries were stated at cost in prior years, but in 1967 are stated at equity. The Company's equity in their undistributed earnings since acquisition, not material in amount, has been included in other revenues for the year.

INVENTORIES

Inventories at April 30, 1967 consisted of the following:

Merchandise purchased, at the lower of cost (principally first-in, first-out) or market	$ 8,542,000
Finished products and raw materials:	
At the lower of cost (principally average) or market	26,065,000
At static unit values (substantially less than cost)	9,086,000
Operating supplies, generally at the lower of average cost or market	29,665,000
Total	$73,358,000

GROWING CROPS

This amount represents pineapple and sugar crops in Hawaii, stated at static values which are substantially less than current costs. The costs of growing these and all other crops, except those of two Philippine subsidiaries referred to below, are charged to operations as incurred.

DEFERRED CHARGES

Dole Philippines, Inc. is in the developmental stage, and costs and expenses in excess of revenues are being deferred until full production is attained, which is expected to be in the fiscal year ending April 30, 1969. The amount deferred, $10,880,000 at April 30, 1967, will be amortized over the remaining life of the 25-year land lease.

Standard (Philippines) Fruit Corporation, also in the developmental stage, is deferring costs and expenses and will amortize such amounts over an appropriate period of time commencing May, 1968.

INCOME TAXES

The Company and all qualifying subsidiaries will file a Federal income tax return on a consolidated basis for the year ended April 30, 1967. In previous years these companies filed on separate return basis. The provision for income taxes for th current year has been reduced by $1,434,000 by utilization carry-overs of prior years' net operating losses and investmer credits of subsidiaries.

Deferred income taxes result from the use, for tax purpose only, of accelerated depreciation methods and the installmer method of accounting for certain deferred-payment sales.

LONG-TERM DEBT

At April 30, 1967 consolidated long-term debt, less current m turities, consisted of the following:

Unsecured notes:	
Prime rate plus ½%, currently 6%, due 1968-1973	$20,000,0
Prime rate plus ½%, minimum 4%, maximum 6%, currently 6%, due 1969-1974	22,000,0
Others, various interest rates, due 1968-1974	4,987,0
Notes and contracts (certain land, buildings and equipment pledged as collateral)	5,824,0
Total	$52,811,0

Under a bank credit agreement, the Company has borrowe $20,000,000, included in the tabulation above, and may borro an additional $15,000,000 until July 31, 1967.

Aggregate payments due on long-term debt during each the next five years ending April 30 are:

1968	$3,572,000
1969	6,591,000
1970	8,392,000
1971	8,669,000
1972	9,216,000

Provisions of credit agreements require maintenance minimum working capital, current ratios and debt ratios, a also impose restrictions on payment of cash dividends. Under t most restrictive of these provisions, approximately $13,300,0 of consolidated retained earnings at April 30, 1967 was n restricted as to payment of cash dividends.

COMMITMENTS AND CONTINGENT LIABILITIES

Under ship charters with expiration dates ranging from 1968 1972, and various lease agreements expiring generally with twenty-five years, the companies have incurred obligations approximately $10,200,000 for the year ending April 30, 1968.

Estimated unfunded past service and minimum benefit cos of insured employee retirement plans of $3,518,000 at April 1967 are approximately $2,000,000 higher than the amount ported for the previous year as a result of new plans and neg tiated increases in benefits for existing plans during the ye These costs are being funded over periods of 10 to 25 years fro the effective dates of the plans or amendments thereto. T cost of these plans for the year was $820,000, of which $593,0 was related to current service and $227,000 to unfunded cos Other supplemental pension payments for the year amount to $213,000; the amount which would be required to fund the pensions at April 30, 1967 was estimated to be $1,532,000.

At April 30, 1967, the companies were contingently liable the amounts of $3,033,000 for notes discounted and mortga loans endorsed and $7,749,000 for guarantees of associated co panies' indebtedness.

:APITAL STOCK

	Shares at April 30 1967	1966
'referred stock, no par value:		
Authorized (none issued)	500,000	
:ommon stock, $10 par value:		
Authorized	10,000,000	5,000,000
Issued	4,351,488	4,121,418
In treasury	49,286	46,401
Outstanding	4,302,202	4,075,017

Common shares issued and outstanding as of April 30, 1967 nclude 205,054 shares issued as a 5% stock dividend to stock-iolders of record as of March 28, 1967.

;TOCK OPTIONS

'he Company has employees' stock option plans under which ptions become exercisable cumulatively over the option periods. 'or plans adopted prior to 1963, the option period is ten years nd the option price is not less than 95% of the market price n the date of grant. For the plans adopted in 1963, 1965 and 967, the latter subject to ratification by the stockholders, the ption period is five years and the option price is the market rice on the date of grant. A summary of transactions during he year ended April 30, 1967, adjusted to give effect to the tock dividend declared in March 1967, is as follows:

	Options Outstanding			
		Option Price		Shares
	Shares	Average Per Share	Total	Available For Option
lalance, May 1, 1966	170,313	$18.67	$3,179,000	27,326
)ptions granted	40,819	27.66	1,129,000	(40,819)
)ptions exercised ...	(26,210)	14.77	(387,000)	—
)ptions cancelled ...	(5,205)	18.50	(96,000)	1,560
\dditions, 1967 plan	—	—	—	52,500
lalance, April 30, 1967 ...	179,717	21.28	$3,825,000	40,567

Standard Fruit and Steamship Company, a subsidiary, has plan with provisions similar to the parent company's recent lans. During the 52 weeks ended April 22, 1967, options for ,770 shares were exercised at $20.94 per share and options for 60 shares were cancelled. There were 48,770 shares under ption at April 22, 1967 and 42,800 shares available for option.

:APITAL IN EXCESS OF PAR VALUE

lalance, May 1, 1966, after restatement for pooling of interests	$ 6,973,000
xcess of market value over par value of 205,054 shares issued as 5% common stock dividend ...	3,896,000
xcess of proceeds over par value of shares issued under employee stock option plans	137,000
)ther	(58,000)
lalance, April 30, 1967	$10,948,000

To the Stockholders of Castle & Cooke, Inc.:

We have examined the statement of consolidated financial condition of Castle & Cooke, Inc. and its consolidated subsidiaries except Standard Fruit and Steamship Company and the latter's subsidiaries as of April 30, 1967 and the related statements of consolidated income and retained earnings and of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to Standard Fruit and Steamship Company and its subsidiaries, whose assets and net income constitute approximately 18% and 26% of the respective consolidated totals, we were furnished with the report of other accountants on their examination of the consolidated financial statements of those companies.

In our opinion, based on our examination and the report of other accountants referred to above, the accompanying statements of consolidated financial condition and consolidated income and retained earnings present fairly the financial position of Castle & Cooke, Inc. and its consolidated subsidiaries at April 30, 1967 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year; and the accompanying statement of consolidated source and application of funds presents fairly the information shown therein.

HASKINS & SELLS
Certified Public Accountants

Honolulu, Hawaii
June 1, 1967

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Castle & Cooke, Inc. and Subsidiaries

Years Ended April 30	1967	196
SOURCE OF FUNDS:		
Net income	**$10,079,000**	$10,337,00
Income applicable to minority interests	**2,506,000**	3,450,00
Depreciation	**8,135,000**	7,885,00
Deferred income taxes	**(239,000)**	564,00
Funds provided from operations	**20,481,000**	22,236,00
Increase in long-term debt	**23,959,000**	6,063,00
Sale of capital stock under stock option plans	**551,000**	572,00
Total	**$44,991,000**	$28,871,00

APPLICATION OF FUNDS:		
Additions to property, less book value of disposals—1967, $508,000; 1966, $1,243,000	**$19,984,000**	$19,915,00
Cash dividends	**5,292,000**	4,545,00
Purchase of capital stock of consolidated subsidiaries	**2,093,000**	10,552,00
Increase in investments	**635,000**	1,014,00
Purchase of treasury stock	**524,000**	—
Deferred costs and expenses of Philippine subsidiaries in developmental stages	**4,152,000**	3,432,00
Net changes in other assets and deferred credits	**2,522,000**	1,638,00
Increase (decrease) in working capital	**9,789,000**	(12,225,00
Total	**$44,991,000**	$28,871,00

stle & Cooke, Inc. and Subsidiaries

Years Ended April 30[1]	1967	1966	1965	1964	1963	1962
al revenues	**$336,376,000**	$318,496,000	$256,175,000	$206,636,000	$183,297,000	$171,150,000
ome before extraordinary items	**10,079,000**	10,337,000	8,734,000	8,231,000	3,080,000	4,804,000
raordinary items, net of income taxes[2]	—	—	9,235,000	—	—	16,486,000
t income	**10,079,000**	10,337,000	17,969,000 [2]	8,231,000	3,080,000	21,290,000 [2]
Per share of common stock:[4]						
Income before extraordinary items	**2.34**	2.42	2.06	1.95	.73	1.12
Extraordinary items[2]	—	—	2.18	—	—	3.85
Net income	**2.34**	2.42	4.24 [2]	1.95	.73	4.97 [2]
sh dividends to Castle & Cooke, Inc. stockholders	**3,987,000**	3,656,000	3,476,000	3,465,000	2,776,000	3,538,000 [3]
Per share[4]	**.95**	.90	.86	.86	.70	.87
rking capital	**62,958,000**	53,169,000	65,394,000	46,532,000	47,525,000	53,472,000
ng-term debt	**52,811,000**	28,852,000	22,789,000	10,370,000	9,532,000	10,446,000
nority interests	**27,898,000**	28,733,000	37,303,000	8,137,000	8,633,000	11,050,000
ckholders' equity	**137,521,000**	131,158,000	123,848,000	109,051,000	103,864,000	104,000,000
Per share[4]	**31.97**	30.65	29.23	25.80	24.69	24.30
ares of common stock outstanding[4]	**4,302,202**	4,278,768	4,237,615	4,226,597	4,206,525	4,278,966

TES:

Except for cash dividends and dividends per share, amounts previously reported for prior years have been restated to give effect to the pooling of interests with Ames Mercantile Company, Inc. on October 31, 1966.

Gains on liquidation of investments previously were reported as special items but have been restated in 1967 to conform with Opinion No. 9 of the Accounting Principles Board.

Includes $2,511,000 declared prior to April 30, 1961, paid in 1961-1962.

Adjusted for 10% stock dividend issued to stockholders of record as of March 29, 1965; 3-for-2 stock split, effected in the form of a dividend, as of February 1, 1966; and 5% stock dividend issued to stockholders of record as of March 28, 1967.

Directors

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A. G. BUDGE
W. M. BUSH
JAMES J. FINCH
R. V. HANSBERGER
MALCOLM MacNAUGHTON
J. H. MIDKIFF
GEO. G. MONTGOMERY
J. S. B. PRATT, III
T. F. SANDOZ
A. D. SCHWANER
FREDERICK SIMPICH, JR.
R. H. WHEELER

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J. K. PALK, Assistant Treasurer
G. C. SHERVEY, Assistant Treasurer
ALLEN V. CELLARS, Assistant Secretary
JAMES R. FARLEY, Assistant Secretary
H. M. RICHARDS, Assistant Secretary

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HASKINS & SELLS, Honolulu

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MORGAN GUARANTY TRUST COMPANY, New York

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